

SENATE BILL REPORT

SB 5654

As of February 14, 2007

Title: An act relating to dealer warranty reimbursements.

Brief Description: Modifying compensation for dealer warranty work or services provisions.

Sponsors: Senator Shin.

Brief History:

Committee Activity: Labor, Commerce, Research & Development: 2/12/07.

SENATE COMMITTEE ON LABOR, COMMERCE, RESEARCH & DEVELOPMENT

Staff: Kathleen Buchli (786-7488)

Background: The Manufacturers' and Dealers' Franchise Agreements law, Chapter 46.96 RCW, regulates the relationship between motor vehicle dealers and new automobile manufacturers.

A manufacturer's franchise agreement must specify the dealer's obligation to perform warranty work on the manufacturer's products. The manufacturer must provide the dealer with a schedule of compensation to be paid to the dealer for warranty work or service.

Summary of Bill: Compensation for warranty work on an automobile manufacturer's products may not be less than the rates reasonably charged by the dealer for similar services and parts to retail customers of motor homes, campers, and travel trailers. The manufacturer may not reduce this compensation or make it conditional on an activity outside the performance of warranty work.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill is necessary because under current compensation agreements between manufacturers and dealers of recreational vehicles, compensation for warranty work performed by dealers can be delayed or not paid in full. Some manufacturers take advantage of retail dealerships by denying claims, not paying claims, paying low part mark-up or no mark-up at all, and paying for labor at low rates. Many dealers lose money because of the low parts mark-up.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

CON: Paying the retail rate for warranty service is inappropriate. Rates for warranty work should be negotiated and left to competition in the marketplace. It is harmful to consumers if dealers are allowed to set rates for manufacturers to pay for warranty work because these costs get passed to the consumer who will pay more for the product at point of sale.

OTHER: The language of the bill needs to be modified so that the bill only affects recreational vehicles and does not have a broader application to automobiles in general.

Persons Testifying: PRO: Senator Shin, prime sponsor; Craig Jantz, Poulsbo RV.

CON: Stu Halsan, Recreation Vehicle Industry Association; Jay Landers, Recreation Vehicle Industry Association.

Other: Nancee Wildermuth, Alliance of Automobile Manufacturers.